

CollegeCounts 529 Board Meeting
August 12, 2015
MINUTES

Board Present:

Chair Young Boozer
Dr. Greg Fitch
Ms. Sara Calhoun for Dr. Mark Heinrich
Dr. John Stewart
Mr. Dennis Beavers
Mr. Daniel Hughes
Mr. Chess Bedsole
Mr. Jack Knight
Lt. Governor Kay Ivey

Board Absent:

Mr. Mychal Smith
Mr. Ronald Stokes

Others Present:

Ms. Daria Story, Assistant Treasurer
Ms. Glenda Allred, Deputy Treasurer
Ms. Anita Kelley, Program Director
Mr. Jay Steinacher, Union Bank & Trust
Ms. Cari Kaup, Union Bank and Trust
Mr. Austin Morgan, Union Bank & Trust
Ms. Madison Jones, Union Bank & Trust
Mr. Rob Noe, Wilshire Associates
Ms. Leah Emkin, Wilshire Associates
Ms. Kay Ceserani, Pension Consulting Alliance
Mr. Eric White, Pension Consulting Alliance
Ms. Andrea Feirstein, AKF Consulting (by phone)
Mr. Chris Simmons, Rushton Stakely
Ms. Annoesjka West, Callan
Mr. Dana Brown, Callan

Pursuant to written and public notice, the meeting of the Board of Directors of the CollegeCounts 529 fund was held in the RSA Union Conference Room in Montgomery, AL on August 12, 2015.

Agenda Item 1.

The meeting was called to order by Chair Young Boozer at 9:00 a.m.

Agenda Item 2.

Chair Boozer introduced two new board members and gave background information on each. He stated that Dr. John Stewart, President of the University of Montevallo, will be replacing Dr. Meehan's position on the board. He also discussed that part of the ABLE ACT allows for an additional board member with a background in the disability community. Chair Boozer stated that Mr. Jack Knight is a retired CPA and is the current Treasurer for the ARC of Alabama.

Agenda Item 3.

Roll was taken with a quorum present.

Agenda Item 4.

Chair Boozer presented the minutes of the May 7, 2015 board meeting. A motion for approval of the minutes was made by Mr. Beavers, seconded by Mr. Bedsole with unanimous approval.

Agenda Item 5.A.

Chair Boozer stated that the Investment Committee met on July 21, 2015 to review the proposals received for Investment Consultant. He discussed the process the committee used to review the responses and stated that the committee recommended Pension Consulting Alliance and Callan to present at the board meeting.

Agenda Item 5.B.1.

Chair Boozer introduced Annoesjka West and Dana Brown who were presenting for Callan. Ms. West and Mr. Brown presented information on their firm. The Board asked questions and reviewed the information provided.

Agenda Item 5.B.2.

Chair Boozer introduced Kay Ceserani, Eric White and Andrea Feirstein who were presenting for Pension Consulting Alliance/AKF Consulting which is the current Investment Consultant team. Ms. Cesarani, Mr. White and Ms. Feirstein presented information on their firms. The Board asked questions and reviewed the information provided.

Agenda Item 6.A.

Chair Boozer called on Anita Kelley to give the program report. Ms. Kelley provided a spreadsheet on the Administrative Fund with a listing of the budget, expenses and unexpended balances. She also provided a Statement of Cash Flows for the scholarship program. She stated that the balance in that account is \$10,035,981 as of 06/30/2015. The written report was received as informational.

Agenda Item 6.B.

Chair Boozer called on Jay Steinacher with Union Bank and Trust for the quarterly program review. Mr. Steinacher stated that there were 74,646 active accounts with total assets in the plan of \$1.307 billion. This represents a 6.1% increase year over year. He then stated that the number of Alabama account holders is 37,134 with \$560.2 million in plan assets. This is an 18.1% increase year over year. Mr. Steinacher said that total contributions YTD were \$71.797 million and total rollover contributions YTD were \$11.17 million. He also discussed asset allocation and the age-based portfolios.

Mr. Steinacher asked Cari Kaup to provide additional information including service and customer care standards and web traffic statistics. The written report was received as informational.

Mr. Steinacher called on Austin Morgan to give an update on the grass roots marketing efforts. Mr. Morgan stated that 3,300 calls have been made since January to various organizations. He advised that 500 visits were made to financial advisors and assistants. He also stated that there were over 1,500 appointments to medical/dental offices, 200 appointments to CPA's and 300 to attorney offices. Mr. Morgan stated that he also attended an ALFA conference in July and will be attending three more of these this year.

Agenda Item 6.C.

Chair Boozer called on Rob Noe and Leah Emkin of Wilshire Associates for the investment performance report. Mr. Noe provided commentary on the economy. He also provided a summary of the individual fund portfolios for both the direct and advisor plans and discussed fund performance compared to the relative benchmarks as well as asset allocation. Mr. Noe provided information on the mutual funds for each plan and noted that there were no concerns regarding performance. Mr. Noe stated that there were no recommendations to make any changes to the current asset allocation or investment managers. The written report was received as informational.

Agenda Item 6.D.1.

Chair Boozer called on Eric White and Kay Ceserani of Pension Consulting Alliance (PCA) for the consultant's analysis. Mr. White discussed an economic overview of Puerto Rico, Greece and China and any potential impact on the Plan. Mr. White discussed the performance of the direct plan. He noted that all funds in the direct plan are meeting or exceeding expectations with the exception of the MainStay Total Return Bond Fund which is in "Monitor" status and Vanguard Interm-Term Bond Index which has been moved to "Watch" status. Mr. White also discussed the performance for the advisor plan and stated that all funds are meeting or exceeding expectations with the exceptions of the Voya Global Real Estate Fund and the Neuberger Berman International Select Fund which have been moved to "Watch" status. He also discussed that the Lazard Emerging Markets Fund has been moved to "Monitor" status and that the BlackRock Inflation-Protected Bond Fund, the MainStay Total Return Bond Fund and the Northern International Equity Fund remain on "Monitor" status. Mr. White stated that PCA recommends that two funds be moved from "Monitor" status to "Watch" status due to their short term performance being in the "Monitor" range for more than six consecutive months. The two funds discussed were the MainStay Total Return Bond Fund and the BlackRock Inflation-protected Bond Fund. A motion to move the two funds from "Monitor" status to "Watch" status was made by Mr. Beavers, seconded by Mr. Bedsole, with unanimous approval. The written report was received as informational.

Agenda Item 6.D.2

Chair Boozer called on Andrea Feirstein with AKF Consulting to discuss the Morningstar Rating Analysis. Ms. Feirstein reviewed the ratings of the CollegeCounts advisor and direct plans as well as the five pillars Morningstar utilizes to determine ratings and how the plans rank in each of the pillars. The written report was received as informational.

Agenda Item 6.E.

Chair Boozer called on Glenda Allred to give the marketing and scholarship report. Ms. Allred discussed the May 5/29 Baby Promotion results. She also spoke about the scholarship program, the eligibility requirements and how the scholarships are funded. Ms. Allred reviewed a spreadsheet that contained data related to past scholarship winners. Chair Boozer stated the total dollar amount of the scholarship awards will increase next year from approximately \$600,000 to approximately \$1,000,000.00 due to the new payout option approved at the last board meeting. The written report was received as informational.

Agenda Item 7.A.1.

Chair Boozer reviewed the passage of the ABLE Act. He discussed the ABLE forum that was held in Chicago concerning the implementation of the program and the uncertainties regarding the amount of participants, the way the funds will be used and how the money will be invested as well as the proposed regulations issued by the IRS. Chair Boozer stated that Union Bank and Trust has agreed to be the program manager for the Alabama ABLE program.

Agenda Item 7.A.2.

Chair Boozer called on Chris Simmons with Rushton Stakely to review some of the legal considerations concerning the ABLE program. He reviewed three proposed IRS regulations including eligibility certification, excess contributions and qualified distributions and the issues these regulations could create.

Agenda Item 8.A.

The Board discussed the presentations made by PCA and Callan. Chair Boozer noted a resolution was included in the board package for the board's consideration and inclusion of the selected firm. A motion was made to approve the Resolution with the selection of Callan for the Investment Consultant by Mr. Beavers, seconded by Mr. Knight. The motion passed with one dissenting vote by Dr. Fitch. Mr. Beavers then recommended that staff issue a RFP for a 529 industry consultant. The Board approved this recommendation.

There being no further business, a motion to adjourn was made by Mr. Beavers, seconded by Mr. Knight, with unanimous approval. The meeting adjourned at 1:40 p.m.

Anita Kelley, Recording Secretary

Young Boozer, Chair